

**SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416**

BILL NUMBER:

A-4036

DATE OF INTRODUCTION:

February 26, 2007

SPONSOR:

Assemblyman Manzo

DATE OF ECOMMENDATION:

June 28, 2007

IDENTICAL BILL:

COMMITTEE:

Assembly Appropriations Committee

DESCRIPTION:

This bill would eliminate the imposition of sales tax on charges for storage space and would exempt initiation fees, membership fees and due for residential health and fitness facilities from sales taxation.

ANALYSIS:

This bill attempts to rescind certain portions of Chapter 44, P.L. 2006 by removing the imposition of sales tax on storage space and exempting initiation fees, membership fees and dues required to be paid for use of residential health and fitness facilities from sales and use tax. The imposition of sales tax on for storage space and certain initiation fees, membership fees and dues were included in a major piece of legislation passed in July, 2006, which increased sales tax from 6% to 7% throughout the State. Sales and use tax was extended to many previously untaxed services and products in an effort in provide added revenue for the State.

The fiscal impact of this bill is expected to be significant and would undermine the intent of Chapter 44, P.L. 2006 which was to raise much needed revenue for the State. By changing the law now to eliminate the imposition of sales tax on storage space and to exempt initiation fees, membership fees and dues from sales and use tax would reverse the affect of the legislation which was just passed in October, 2006 after much thought and deliberation.

In addition to a substantial loss in revenue, the reversal would create a tremendous administrative burden as the Division of Taxation would be required to respond to a significant number of inquiries from consumers as well as from businesses and taxpayers that furnish storage facilities or own or control residential health and fitness facilities. Enactment of this bill would also require the revision of numerous sales and use tax publications and web content.

The imposition of sales tax on storage space and initiation fees, membership fees and dues was enacted on October 1, 2006 to increase revenue for the State. The Commission has not been presented with any compelling reasons to support repeal of this initiative.

RECOMMENDATION: The Commission opposes enactment of this Bill.

COMMISSION MEMBERS FOR PROPOSAL: 0

COMMISSION MEMBERS AGAINST PROPOSAL: 8

COMMISSION MEMBERS ABSTAINING: 0

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